

Press Release

Royal Uniforce Roofings Private Limited

January 07, 2022

Rating Assigned and Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Ratings Loan	5.00		ACUITE A3 Assigned
Bank Ratings Loan	20.00	ACUITE BBB- Stable Assigned	
Bank Ratings Loan	25.00	ACUITE BBB- Stable Reaffirmed	
Total	50.00	-	-

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of 'ACUITE BBB-' (read as ACUITE triple B minus) on the Rs.25.00 crore bank facilities of Royal Uniforce Roofings Private Limited (RURPL). The outlook is 'Stable'.

Acuite has assigned the long-term rating of 'ACUITE BBB-' (read as ACUITE triple B minus) and the short-term rating of 'ACUITE A3' (read as ACUITE A three) on the Rs. 25.00 crore bank facilities of Royal Uniforce Roofings Private Limited (RURPL). The outlook is 'Stable'.

About the Company

Nagpur-based Royal Uniforce Roofings Private Limited (RURPL) was incorporated in 2009 by Mr. Shyam Sundar Sharma, Mr. Sadique Ahmed Ansari, Mr. Uday Singh Siriya and Mr. Kuldeep Arora. The company is engaged into manufacturing of Asbestos Cement Sheets and has a manufacturing facility located in Chhindwara, M.P with an annual capacity of 60,000 MT.

Rationale for rating reaffirmation

The rating reaffirmation considers the comfort drawn on long track record of operations, extensive experience of the promoters and stable business risk profile. However, the above mentioned strengths are partly set off by modest scale of operations.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of Royal Uniforce Roofings Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

Experienced Management

RURPL was incorporated in 2009 and is engaged in the manufacturing of asbestos cement sheets. The company is headed by Mr. Shyam Sundar Sharma, Mr. Sadique Ahmed Ansari, Mr. Uday Singh Siriya, Mr. Bipin Kumar Sharma and Mr. Kuldeep Arora who have more than a

decade of experience in the aforesaid industry. This has helped the company establish a strong market position in the vicinity of Nagpur and Chhindwara region. Moreover, having a presence of more than a decade in the aforementioned industry has helped the company to maintain strong relations with its customers and suppliers. Acuité believes that the company will continue to derive benefit from its promoter's experience over the medium term and additionally, with government's thrust on housing for all, the demand for asbestos sheets is likely to remain healthy in the near to medium term.

Moderate financial risk profile

The financial risk profile of the company stood moderate marked by modest net worth, healthy debt protection metrics and low gearing. The net worth of the company stood at Rs. 21.15 crore as on 31 March 2021 (Provisional) as against Rs. 21.22 crore as on 31 March 2020. The company has followed a conservative financial policy in the past, the same is also reflected through its gearing levels. The gearing level (debt equity) stood at 0.21 times as on 31 March 2021 (Provisional) as against 0.30 times as on 31 March 2020. The interest coverage ratio (ICR) stood at 12.71 times as on 31 March 2021 (Provisional) as against 4.59 times as on 31 March 2020. Debt service coverage ratio (DSCR) stood at 12.71 times on 31 March 2021 (Provisional) as against 4.20 times as on 31 March 2020. Total outside liabilities to Tangible net worth (TOL/TNW) ratio stood moderate at 0.27 times in FY2021 (Provisional) as against 0.38 times in FY2020.

Moderately working capital intensive nature of operations

The operations of RURPL are moderately working capital intensive marked by Gross Current Assets (GCA) of 81 days in FY2021 (Provisional) as against 159 days in FY2020. The receivables days also stood at 2 days as on 31 March 2021 (Provisional) and 10 as on 31 March 2020. The inventory holding days stood at 77 days as on 31 March 2021 (Provisional) as against 163 days as on 31 March 2020. The inventory holding days has come down significantly due to tight inventory control.

Weaknesses

Modest scale of operations

The company has been in the aforesaid industry for over a decade. The scale of operations of the company has remained modest marked by operating income at Rs.49.43 crore in FY2021 (Provisional) as against Rs. 40.70 crore in FY2020. However, the operating margin stood healthy at 9.89 percent in FY2021 (Provisional) as against 13.20 percent in the previous year. With strong demand drivers and high utilization of production facility. Further, the company's ability to improve its scalability while maintaining its profitability will remain a key credit monitorable.

Susceptibility of operations on government policies

One of the raw material for the company is the asbestos fiber, which has been imported from Russia and Brazil. And the particular material is a carcinogen substance and is not environment friendly. There are government regulation with regards to the production of materials from asbestos, so any changes in the government policies in the future can adversely impact the operations of the company.

Rating Sensitivities

Higher than expected operating performance while maintaining profitability
Any deterioration in the working capital cycle and liquidity profile of the company

Material covenants

None.

Liquidity Position: Adequate

Liquidity of RURPL is adequate marked by cash accruals of Rs.4.52 crore as on 31 March 2021 as against Rs.4.21 crore on 31 March 2020 and in the same period the maturing debt obligation was nil. It has unencumbered cash balances of Rs.0.04 crore as on 31 March 2021.

The current ratio stood at 1.91 times. The average bank limit utilisation stood low at around 26 percent. Further, NCA/TD (Net Cash Accruals to Total Debt) stood at 1.02 times in FY2021 as against 0.67 times in FY2020.

Outlook: Stable

Acuité believes that RURPL will maintain a 'Stable' outlook over the medium term owing to its promoters' experience in the industry. The outlook may be revised to 'Positive' in case the company achieves more than envisaged sales and profitability while efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of any decline in operating performance or significant deterioration in financial risk profile.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	49.43	40.70
PAT	Rs. Cr.	3.19	2.76
PAT Margin	(%)	6.45	6.77
Total Debt/Tangible Net Worth	Times	0.21	0.30
PBDIT/Interest	Times	12.71	4.59

Status of non-cooperation with previous CRA (if applicable)

Not Applicable.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Dec 2021	Proposed Bank Facility	Long Term	13.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A3 (Reaffirmed)
12 Oct 2020	Letter of Credit	Short Term	2.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	13.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3 Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	8.85	ACUITE BBB- Stable Assigned
UCO Bank	Not Applicable	Term Loan	01-03-2021	7.50	31-03-2025	1.15	ACUITE BBB- Stable Assigned

Note: Sublimit of CC: Letter of Credit of Rs.5.00 crore.

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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